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May 25, 2006

VIA ELECTRONIC FILING

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Re: CC Docket No. 96-45
Notice of Ex Parte Presentations

Dear Ms. Dortch:

On May 24, 2006, F.J. Pollak, President and CEO of TracFone Wireless, Inc., I met with Dana Shaffer, Legal Advisor to Commissioner Deborah Taylor Tate, and with Melissa Dawn and Elise Louise, both interns in Commissioner Tate's office.

During the meeting, TracFone reiterated positions it has taken throughout the Universal Service Contribution Methodology proceeding. Specifically, we pointed out that abandonment of a revenues-based contribution methodology and implementation of a methodology based on working telephone numbers would result in significant portions of the support for the Universal Service Fund being borne by low volume low income consumers. We also described how a numbers-based methodology would substantially increase the universal service burden on providers of prepaid wireless services such as those provided by TracFone and ultimately on those providers' consumers, many of whom are low volume users of interstate telecommunications service and are often low income consumers.

We recommended that if the Commission were to change the universal service contribution methodology from a revenues-based methodology to one based on working telephone numbers or connections, that a revenues-based methodology be retained for providers such as prepaid wireline calling card companies and for prepaid wireless carriers since neither of those categories of providers have the ability to recover their universal service contribution costs from consumers in

Ms. Marlene H. Dortch
May 25, 2006
Page 2

billed surcharges. This recommendation is based on one set forth in an October 21, 2005 ex parte letter submitted by TracFone. We provided Ms. Shaffer with a copy of that letter which is already in the record of this proceeding. We also discussed whether retention of a revenues-based contribution methodology for prepaid providers would bestow a competitive advantage on prepaid providers in violation of the principle that any contribution methodology should be competitively neutral. We explained that it would not create a competitive advantage since such providers' contributions would be based on the totality of their interstate telecommunications service usage and since those providers, unlike their competitors who offer post-paid billed services, have no opportunity to recover their universal service contributions through customer billed surcharges.

In response to a question posed by Ms. Shaffer as to whether TracFone could receive support from the Universal Service Fund to serve low income consumers, we explained that TracFone has had pending before the Commission since 2004 eight state-specific applications for designation as an Eligible Telecommunications Carrier and that it plans to offer a Lifeline service if those applications are granted. We provided Ms. Shaffer with a PowerPoint presentation which summarizes the status of TracFone's Eligible Telecommunications Carrier applications. A copy of that presentation is enclosed with this letter.

Pursuant to Section 1.1206(b) of the Commission's rules, this letter is being filed electronically in the above-captioned docket. If you have questions regarding this submission, please communicate directly with undersigned counsel for TracFone.

Sincerely,



Mitchell F. Brecher

Attachment

cc: Ms. Dana Shaffer
Ms. Melissa Dawn
Ms. Elise Louise



TracFone ETC Applications

Presentation to Chairman Kevin Martin

May 24, 2006

Summary

- 8.4 Million U.S. Households (21.6 million persons) do not have telephone service.
- The percentage of households with phone service (penetration rate) has declined from 95.5% in 2002 to 92.6% in 2005.
- The problem is acute with low-income persons and minorities.
- Prepaid wireless Lifeline service would increase penetration levels.
- Katrina program proved that prepaid wireless is a cost-efficient Lifeline support mechanism.

TracFone-Katrina Lifeline Program

- Over 25,000 persons displaced by Katrina have qualified for prepaid wireless Lifeline support from TracFone as of May 17, 2006. 36,000 applied.
- Cost to USF is \$3.25 million -- \$130 per person, for 300 airtime minutes per person.
- Key obstacles to successful enrollment are:
 - Lack of proper documentation, e.g., missing FEMA letters or personal ID.
 - Incomplete applications, e.g., missing signatures or other data.
- How to boost participation economically and prevent fraud:
 - Mass reach out campaign to enroll via toll-free numbers.
 - Self-certification by enrollee under penalty of perjury.
 - Test self-certification accuracy through demonstration project in one city

TracFone Eligible Telecommunications Carrier Timeline

- June 8, 2004 - Petitions to be an ETC in New York and for forbearance from application of Section 214(e)(1)(A).
- July 2, 2004 - Petitions to be an ETC in Florida and Virginia.
- November 9, 2004 - Petitions to be an ETC in Connecticut, Massachusetts, Tennessee, North Carolina and Alabama.
- September 6, 2005 - FCC conditionally grants TracFone's petition for forbearance (but does not act on any state-specific ETC petitions).
- October 11, 2005 - TracFone files Compliance Plan in which it states how it will meet each condition imposed by the FCC in granting forbearance petition.
- May 24, 2006 -- Nearly 2 years after first ETC petition filed, all of TracFone's ETC petitions remain pending.

TracFone's Lifeline Proposal

- TracFone seeks ETC status only to offer Lifeline Service (does not seek high cost support).
- Pay-as-you -go Plan - No charge to customer for 360 minutes usable over 12 months (all additional minutes at half price).
- NET10 Plan - 100 free minutes and 10 extra days per month or customers would receive a \$10 discount coupon for each month they are in the Lifeline Plan.

"On behalf of the citizens of the State of Florida, I strongly encourage the Commission to grant TracFone's petitions at the earliest opportunity. TracFone has proposed to utilize support from the federal Universal Service Fund to offer low-income consumers eligible to participate in the Lifeline program a state-of-the-art full-featured wireless service offering at a very affordable rate."

Hon. Jeb Bush
Governor of Florida
(Letter to FCC Chairman Michael K.
Powell, dated November 9, 2004)

Lifeline is an Underutilized Service Offering

- Nationally, only 33.7% of households eligible for Lifeline subscribe to Lifeline service.
- Lifeline Utilization in States Where TracFone has Pending ETC Petitions:
 - Alabama 8.5%
 - Connecticut 30.7%
 - Florida 13.5%
 - Massachusetts 38.8%
 - New York 31.2%
 - North Carolina 16.1%
 - Tennessee 6.4%
 - Virginia 6.6%

[Source: Lifeline and Link-Up, 19 FCC Rcd 8302 (2004) at Appendix K]

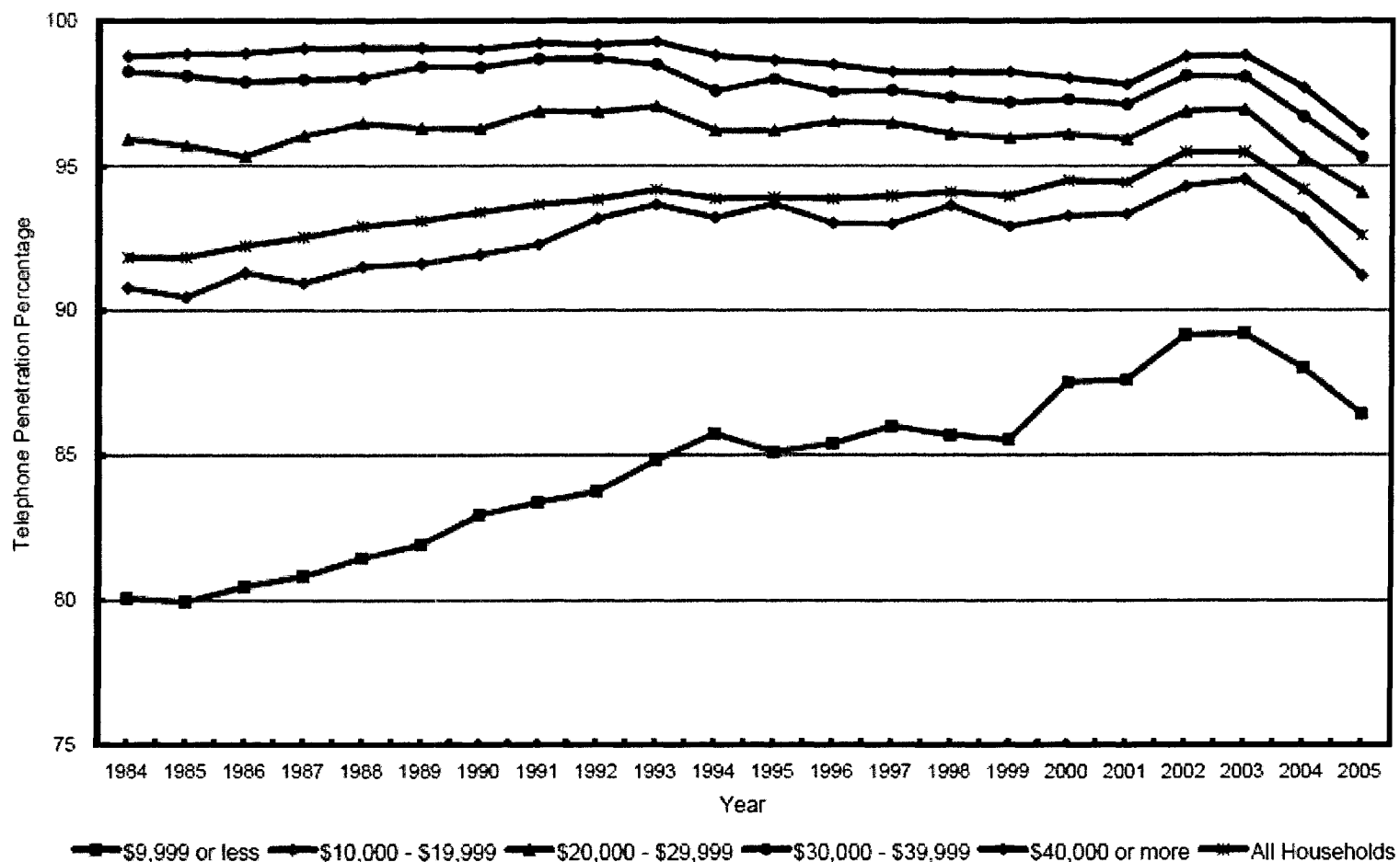
Telephone Penetration Rate Among Low Income Households Lags Behind

	State penetration rate among households earning less than \$10,000 per year	Overall Rate
AL	80.60%	90.20%
CT	85.90%	93.00%
FL	85.40%	91.30%
MA	90.20%	93.90%
NY	85.20%	91.00%
NC	86.40%	91.90%
TN	90.10%	91.50%
VA	85.10%	91.40%

[Source: Telephone Penetration by Income by State; released by FCC Wireline Competition Bureau May 2006, Table 4]

Telephone Penetration Rates are Declining

Telephone Penetration Rates by Income
Annual Household Income in 1984 Dollars



Conclusion

- Prepaid wireless is a cost-effective option for many of the 8.4 million households without phone service.
- Prepaid wireless Lifeline has the potential to boost penetration rates at less cost to USF than other methods.
- The Commission is urged to approve TracFone's ETC applications at the earliest possible date.